

22 September 2009



**Michelmersh Brick Holdings plc**  
**(“Michelmersh”, the “Company”, or the “Group”)**

**Half Year results for the six months to 30 June 2009**

Michelmersh Brick Holdings plc (AIM:MBH), the specialist land development, landfill, and brick company, today announces half year results for the six months to 30 June 2009.

Highlights of the results are as follows:

- Group turnover reduced by 28% to £9.1 million (2008: £12.5 million)
- Gross profit margins up from 22.9% to 28.2%
- Operating loss of £140,000 for the period (2008: profit of £59,000)
- Reduced loss before taxation of £457,000 (2008: £483,000)
- Administrative costs reduced in the period to £2.8 million (2008: £2.9 million)
- Successfully renegotiated banking facilities and covenants
- The Group has established a new faience and terracotta business – Hathern Terracotta, which will considerably strengthen position
- Good progress made in working towards obtaining detailed planning consent on the initial 16 acres of land at Telford

**Commenting on the results, Eric Gadsden, Chairman of Michelmersh, said:** “Our brick business continues to enjoy a key market position within the UK and we believe there will be continued industry restructuring in a market which continues to have overcapacity with high stock levels in an unsettled marketplace dominated by three players.

“Whilst we work hard to improve our asset position we believe that there will unquestionably be significant corporate opportunities arising in the next two years. We are confident that our business model, which not only focuses on manufacturing but also on land and landfill, together with our experienced team, has the potential to play a pivotal role in shaping the outcome which will set the pattern for the national business within the industry for the future.”

**For further information:**

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## **Chairman's Statement**

I am pleased to report the Group's results for the six months ended 30 June 2009. Over the first six months of this year we have achieved a similar result to the same period last year, results that are ahead of our own forecasts for the period. This follows from the decisive action taken twelve months ago to negate the effects of the worsening economy and this included reducing output levels at all our plants.

We continue to manage stock levels and to take a cautious view of market conditions in light of continuing economic weakness.

As announced on 20 July we have successfully renegotiated our banking facilities and covenants. Our main facilities with Barclays have been renewed until 2011. The Company has also agreed a new facility with Venture Structured Finance, division of ABN Amro BV, which gives us greater flexibility to manage our business through the current period.

Since the period end, we have established a faience and terracotta business – Hathern Terracotta, which widens our product range to further strengthen our position and give greater access to these markets.

We have also made good progress in working towards obtaining detailed planning consent on the initial 16 acres of land at Telford. As announced on 16 September the application has now been submitted, having required extensive renegotiation by ourselves and Persimmon Homes with the planning authority to attain realistic S106 and affordable housing levels in current market conditions. We anticipate that the first 16 acres will be released, and that development will commence, early next year.

## **Financial Results**

Group turnover in the period reduced by 28% to £9.1 million compared to £12.5 million in the same period in 2008. However, as a result of the restructuring measures which we put in place last year, we saw a significant improvement in gross profit margin which increased from 22.9% in the first six months of 2008 to 28.2% for the same period this year. Reduced levels of production, changes in working patterns and the forward purchasing of gas, have resulted in production costs being far less volatile than in previous years.

Administrative costs reduced in the period to £2.8 million (2008: £2.9 million). This reduction has primarily been under pinned by a freeze on wage and salary increases during 2009. There was also a reduction in interest costs for the period which totalled £316,000 (2008: £542,000).

This has resulted in the Group reporting a reduced loss before taxation for the period of £457,000 (2008: £483,000) which, given the state of the UK construction market, we see as a commendable achievement.

Following the recent heavy investment in the business over the past five years the Company was required to undertake only very limited capital expenditure during the period. The capital expenditure programme for all operating facilities and land development at Telford are now complete, although there was expenditure at Telford totalling £216,000 during the period in respect of clay extraction to create further void space.

The number of bricks in stock as at 30 June 2009 (20.5 million) was slightly lower than brick stocks as at 30 June 2008 (20.6 million), while the lower cost of production in 2009 compared to 2008 has led to the reduction in inventory value.

During the first six months of 2009 the Group also renegotiated its Banking facilities resulting in its term loans now falling due for repayment on 1 June 2011. The Group has also received additional funding secured on its revolving assets.

## **Dividend**

Whilst, as of practice, we do not pay an interim dividend, our current policy is to retain cash in the business and return to our progressive dividend policy only when market conditions improve.

## **Operational Review**

During the period, the Group's sales volumes reduced to 25.5 million units (2008: 40.0 million units) and production reduced to 28.9 million units (2008: 41.0 million units). Despite this decline in volumes we have increased selling prices by 14%, against an industry average of 5%. This is due to this reorganisation of the business and the focus on product mix, margin and value. Whilst our sales volume is at 64% of last year, value is 72% as against an industry volume of 65% and a value of 69% compared to 2008.

As a result we achieved an EBITDA of £584,000 (2008: £896,000).

Cost of sales has been dramatically reduced to £6.5 million (2008: £9.7 million) for the period. This has been achieved as a result of the review initiated 12 months ago and the actions that have resulted.

In particular, thanks are due to all members of staff for their hard work through this difficult period to achieve this result.

As mentioned above, we have now established a new Terracotta and Faience business at our Charnwood works. We have many complementary skills and we believe it will integrate well with our existing businesses whilst opening new opportunities for the Group. In particular the material is sought after in the restoration market place and this is a key source of supply for our brick products.

Landfill continues to perform well with a turnover of £251,000 (2008: £407,000) on a tonnage of 35,000 (2008: 70,000) at an average rate of £7.20 per tonne (2008: £5.80 per tonne).

As well as progressing our planning application at Telford we continue to make progress with our 28.7 acre site at Charnwood which is in the Local Development Framework and which is likely to add 250 residential units to the 1,000 units at Telford.

## **Outlook**

Our brick business continues to enjoy a key position within the UK market. We believe that the market continues to retain significant excess capacity with many of our competitors carrying higher than normal stock levels in a depressed marketplace which is dominated by three industry players.

While our competitors continue to struggle Michelmersh will look to strengthen its position by taking advantage of further opportunities such as Hathern Terracotta. We are not anticipating any significant improvement in the second half of 2009, but we will continue to invest in new market opportunities as they arise, and we remain positive about the medium term prospects for Michelmersh and the UK construction sector.

Over the past two years there have been dramatic changes both in the brick and construction industries. Housing numbers have halved to 80,000 per annum, planning consents are becoming increasingly difficult to achieve and the market is now at a lower level of activity from which it will not recover to any significant extent in the foreseeable future unless there is an increase in planning consents.

At current sales levels national brick stocks are at around 12 months supply. In contrast to previous recessions when bricks were manufactured by many small players, over 90% of capacity is now in the hands of three internationally owned businesses. Any significant capacity reduction can therefore only come from them. We have seen a number of announcements, to that effect, by our competitors over the past few weeks.

Whilst we work hard to improve our asset position the opportunities we have consistently flagged up to shareholders will unquestionably arise in the next two year period.

We are confident that our business model, which not only focuses on manufacturing but also on land and landfill, together with our experienced team, has the potential to play a pivotal role in shaping the outcome which will set the pattern for the national business within the industry for the future.

**Eric Gadsden**  
**21 September 2009**

**Michelmersh Brick Holdings Plc**  
**Interim Report for the six months to 30 June 2009**  
**Consolidated Income Statement**

	<b>6 months to 30 June 2009 £'000</b>	<b>6 months to 30 June 2008 £'000</b>	<b>12 months to 31 December 2008 £'000</b>
	<b>Unaudited</b>	<b>Restated Unaudited</b>	<b>Audited</b>
<b>Revenue</b>	9,065	12,535	24,245
Cost of sales	(6,512)	(9,670)	(20,329)
	<hr/>	<hr/>	<hr/>
<b>Gross profit</b>	2,553	2,865	3,916
Administrative expenses	(2,761)	(2,860)	(5,909)
Other income	67	54	176
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<b>Operating (loss)/profit</b>	(141)	59	(1,817)
Financial expense	(316)	(542)	(1,053)
	<hr/>	<hr/>	<hr/>
<b>Loss before taxation</b>	(457)	(483)	(2,870)
Taxation	-	-	286
	<hr/>	<hr/>	<hr/>
<b>Loss for the financial period</b>	(457)	(483)	(2,584)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (note 5)</b>			
Earnings per share	(1.1)p	(1.2)p	(6.4)p
Diluted earnings per share	(1.1)p	(1.2)p	(6.4)p

**Michelmersh Brick Holdings Plc**  
**Interim Report for the six months to 30 June 2009**  
**Consolidated Statement of Comprehensive Income**

	<b>6 months to 30 June 2009 £'000</b>	<b>6 months to 30 June 2008 £'000</b>	<b>12 months to 31 December 2008 £'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Loss for the financial period</b>	(457)	(483)	(2,584)
<b>Other comprehensive income</b>			
Revaluation of property, plant & equipment	-	-	(14,202)
Deferred tax on revaluation	-	-	3,666
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<b>Comprehensive income for the financial period</b>	<b>(457)</b>	<b>(483)</b>	<b>(13,120)</b>
	=====	=====	=====

**Michelmersh Brick Holdings Plc**  
**Interim Report for the six months to 30 June 2009**  
**Consolidated Statement of Financial Position**

	As at 30 June 2009 £'000	As at 30 June 2008 £'000	As at 31 December 2008 £'000
Note	Unaudited	Unaudited	Audited
<b>Assets</b>			
<b>Non-current assets</b>			
	67	98	67
Intangible assets			
Property, plant and equipment	6 47,675	62,066	48,121
	<hr/>	<hr/>	<hr/>
<b>Total non-current assets</b>	47,742	62,164	48,188
	<hr/>	<hr/>	<hr/>
<b>Current assets</b>			
	9,095	9,572	8,235
Inventories			
Trade and other receivables	3,995	4,900	3,377
Cash and cash equivalents	4	511	225
	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>	13,094	14,983	11,837
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	60,836	77,147	60,025
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
	4,231	4,071	4,327
Trade and other payables			
Interest bearing borrowings	7 5,432	8,313	16,290
	<hr/>	<hr/>	<hr/>
	9,663	12,384	20,617
	<hr/>	<hr/>	<hr/>
<b>Non-current liabilities</b>			
	7,592	11,544	7,592
Deferred tax liabilities			
Interest bearing borrowings	7 13,000	9,100	778
	<hr/>	<hr/>	<hr/>
	20,592	20,644	8,370
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	30,255	33,028	28,987
	<hr/>	<hr/>	<hr/>
<b>Net assets</b>	30,581	44,119	31,038
	<hr/>	<hr/>	<hr/>
<b>Equity attributable to equity holders</b>			
	8,083	8,083	8,083
Share capital			
Share premium account	5,703	5,691	5,703
Reserves	15,086	26,047	15,204
Retained earnings	1,709	4,298	2,048
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<b>Total equity</b>	30,581	44,119	31,038
	<hr/>	<hr/>	<hr/>

**Michelmersh Brick Holdings Plc**  
**Interim Report for the six months to 30 June 2009**  
**Consolidated Cash Flow Statement**

	6 months to 30 June 2009 £'000	6 months to 30 June 2008 £'000	12 months to 31 December 2008 £'000
	Unaudited	Unaudited	Audited
<b>Cash flows from operating activities</b>			
Loss before taxation	(457)	(483)	(2,870)
Finance costs	316	542	1,053
Depreciation	724	837	1,677
Amortisation	-	2	632
Grant of carbon emissions quota	-	-	(695)
Loss on sale of intangible assets	-	-	18
Loss on sale of property plant & equipment	18	-	4
<b>Cash flows from operating activities before changes in working capital</b>			
	601	898	(181)
(Increase)/decrease in inventories	(818)	(295)	1,207
(Increase)/decrease in receivables	(618)	(655)	868
(Decrease)/increase in payables	(96)	417	(1,293)
Net cash (used in)/generated from operations	(931)	365	601
Interest paid	(316)	(542)	(1,056)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,247)</b>	<b>(177)</b>	<b>(455)</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of intangible assets	-	-	520
Purchase of property, plant and equipment	(338)	(1,350)	(1,388)
Proceeds on disposal of property, plant and equipment	-	10	-
<b>Net cash used in investing activities</b>	<b>(338)</b>	<b>(1,340)</b>	<b>(868)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital	-	30	30
Repayment of loans	(259)	(279)	(597)
Repayment of finance lease obligations	(26)	(26)	(41)
Dividends paid to shareholders	-	-	(135)
<b>Net cash used in financing activities</b>	<b>(285)</b>	<b>(275)</b>	<b>(743)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,870)</b>	<b>(1,792)</b>	<b>(2,066)</b>
Cash and cash equivalents at beginning of period	(2,558)	(492)	(492)
<b>Cash and cash equivalents at end of period</b>	<b>(4,428)</b>	<b>(2,284)</b>	<b>(2,558)</b>



## NOTES TO THE GROUP INTERIM REPORT

### 1. GENERAL INFORMATION

Michelmersh Brick Holdings Plc is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 3462378). The Company is domiciled in the United Kingdom and its registered address is 121 High Street, Berkhamsted, Hertfordshire, HP4 2PJ. The Company's Ordinary Shares are traded on the AIM Market of the London Stock Exchange. Copies of the Interim Report and Annual Report and Accounts may be obtained from the address above, or at the Company's website, [www.michelmersh.co.uk](http://www.michelmersh.co.uk)

### 2. BASIS OF PREPARATION

The financial information for the year ended 31 December 2008 set out in this interim report does not constitute the Group's statutory financial statements for that period. These published financial statements were reported on by the auditors without qualification or an emphasis of matter reference and did not include a statement under Section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

The financial information for the 6 months ended 30 June 2009 and 2008 is unaudited.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

#### Restated comparatives

The directors have reclassified personnel costs in the six month period to 30 June 2008 to more accurately reflect their nature and to ensure consistency with the presentation adopted for the six month period to 30 June 2009 and therefore improve comparability. This has resulted in £240,000 previously included in cost of Sales now being included in administrative expenses, but has had no impact on the result for the period or the financial position at the period end.

### 3. ACCOUNTING POLICIES

The principal accounting policies used in preparing the interim results are those the company expects to apply in its financial statement for the year ended 31 December 2009 which are consistent with IFRS as adopted by the European Union, and are unchanged from those disclosed in the Annual Report for the year ended 31 December 2008, other than the presentation of the primary financial statements which has been modified in order to comply with IAS 1 (revised). This modification has had no impact on the reported results or financial position of the Group.

### 4. DIVIDENDS PAID

	Unaudited	Unaudited	Audited
	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
	£'000	£'000	£'000
<b>Declared during the period</b>			
Final dividend for the year ended 31 December 2007 at 1.1p per share	-	-	(444)
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### 5. EARNINGS PER SHARE

The calculation of earnings per share is based on a loss of £457,000 (6 months to 30 June 2008 - £483,000; 12 months to 31 December 2008 - £2,584,000) and 40,409,846 (6 months to 30 June 2008 - 40,409,703; 12 months to 31 December 2008 - 40,397,377) being the weighted average number of ordinary shares in issue during the period.

## **Diluted**

The diluted figure is based on the same figures as above since the options in place during the year are anti-dilutive for the six months to 30 June 2009 and 2008 and for the 12 months to 31 December 2008. At 30 June 2009 there were a total of 762,975 share options held by employees which are not considered dilutive (30 June 2008 - 1,329,282; 31 December 2008 - 762,975).

## **6. PROPERTY, PLANT & EQUIPMENT**

In accordance with the Group's accounting policy for freehold land and buildings, the directors carried out a valuation at 31 December 2008, having regard for the value in use of all cash generating units within the business. As a result of prevailing economic conditions, which impacted valuation assumptions principally regarding the timing and value of development land sales, a downward revaluation of £11,675,000 and £2,527,000 of the operational sites at Telford and Michelmersh respectively was recognised. This revaluation also led to a corresponding reduction in the deferred tax liability of £3,666,000. There have been no further revaluations in the period to 30 June 2009.

## **7. INTEREST BEARING BORROWINGS**

Following the successful renegotiation of the Groups financing in the period to 30 June 2009, borrowings of £13,000,000 included in current liabilities at 31 December 2008 have been reclassified as long term, being due for repayment or renegotiation on 1 June 2011.

Additional working capital facilities have also been negotiated, secured on the Group's inventories and trade receivables.